



Thembelihle Local Municipality
Financial statements
for the year ended 30 June 2013

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.
Councillors	
Mayor	Jonas D.A
Councillors	Madikane S.E Mpamba B De Bruin E Louw P Kywe A Humphreys M.A
Grading of local authority	Grade 1
Accounting Officer	Mr. M. Mogale
Acting Chief Finance Officer (CFO)	Ms. X. Manzi
Registered office	Church Street Hopetown 8750
Business address	Church Street Hopetown 8750
Postal address	Private Bag X3 Hopetown 8750
Bankers	Absa Bank Limited
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	Herman van Heerden Ing

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2013

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The reports and statements set out below comprise the financial statements presented to the Thembelihle Local Municipality's Council:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
FMG	Finance Management Grant
MSIG	Municipal System Improvement Grant

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CoGTA

Department of Co-operative Governance & Traditional Affairs

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality's operations depend on a number of sources of revenue ranging from National Government to its own sources and donations. There are no signs or indications that any of these sources will be significantly curtailed. As such, the annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and they will be presented based on their review.

The financial statements set out on pages 8 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013.

Mr. M. Mogale
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the Municipal Finance Management Act no.56 of 2003 and Municipal Systems Act No.32 of 2000. and operates principally in South Africa.

The operating results for the year were satisfactory for the following reasons:

- (a) The municipality recorded a net surplus of R11 543 026 (2012: surplus R1 907 263)
- (b) The municipality's contribution towards total income remained almost constant.

Proportion of income generated/raised

2013

Type of Income	Proportion of contribution to income	Amount
Property rates	4%	2 332 841
Service charges	22%	15 056 590
Grants and subsidies	69%	47 222 770
Other Income	4%	2 996 855
Fines	1%	717 256

2012

Type of Income	Proportion of contribution to income	Amount
Property Rates	4%	2 267 974
Service charges	23%	13 349 179
Grants and subsidies	60%	34 549 728
Other Income	5%	2 924 991
Fines	8%	4 900 990

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

As indicated to earlier on, the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for its on-going operations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer & Other Relevant Officials's interest in contracts

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interests in SCM related transactions declared (both potential and existing) declared their interests.

5. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP Reporting Framework) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Accounting Officer's Report

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. M. Mogale	South African

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all his activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis.

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of him by the Remunerations of Public Office Bearers Act No. 20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Pixley Ka Seme District Municipality must appoint members of the shared Audit Committee. Thus, more information with regards to the composition of the shared audit committee, its operations and sub-committees will be covered in the district municipality's annual financial statements.

Internal audit

The municipality has a shared internal audit function, based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management Act, 2003, as it is a permitted arrangement.

8. Bankers

The municipality's bankers did not change during the current year.

9. Auditors

Auditor-General of South Africa will continue to audit the books of the municipality into the foreseeable future.

Accounting Officer's Report

10. Non compliance with applicable legislation

Significant non-compliance with various legislations have been properly disclosed in the notes to the financial statements.

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012 (Restated)
ASSETS			
Current Assets			
Inventories	6	149 207	181 723
Receivables from non-exchange transactions	8	503 496	413 557
VAT receivable	9	802 386	915 338
Consumer debtors from exchange transactions	10	1 192 529	926 123
Cash and cash equivalents	11	6 793 171	3 066 147
		9 440 789	5 502 888
Non-Current Assets			
Investment property	2	4 772 903	4 772 903
Property, plant and equipment	3	201 055 765	185 333 022
Intangible assets	4	309 113	14 622
Long Term Debtors		15 955	-
		206 153 736	190 120 547
Non-Current Assets		206 153 736	190 120 547
Current Assets		9 440 789	5 502 888
Non-current assets held for sale (and) (assets of disposal groups)		-	-
TOTAL ASSETS		215 594 525	195 623 435

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2013

LIABILITIES

Current Liabilities

Other Interest Bearing Liabilities	14	70 874	66 418
Finance lease obligation	15	535 491	362 122
Trade and other payables (exchange transaction)	18	13 704 302	10 514 200
Consumer deposits	19	493 715	422 395
Retirement benefit obligation	5	589 000	285 811
Unspent conditional grants	16	7 574 913	4 990 018
Provisions	17	5 956 100	364 526
Accrued Bonus		283 606	300 700
Accrued Leave		666 117	525 881

29 874 118	17 832 071
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Non-Current Liabilities

Other Interest Bearing Liabilities	14	5 597 221	5 668 154
Finance lease obligation	15	1 234 707	1 495 939
Retirement benefit obligation	5	5 286 000	4 973 134
Provisions	17	494 522	5 594 309

12 612 450	17 731 536
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Non-Current Liabilities	12 612 450	17 731 536
Current Liabilities	29 874 118	17 832 071
Liabilities of disposal groups	-	-
TOTAL LIABILITIES	42 486 568	35 563 607

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Assets
LIABILITIES
NET ASSETS

215 594 525 195 623 435
(42 486 568) (35 563 607)
173 107 957 160 059 828

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
<hr/>			
NET ASSETS			
Reserves			
Revaluation reserve	12	31 522 906	31 623 056
Accumulated surplus		141 585 051	128 436 772
 Total Net Assets		<hr/> 173 107 957	<hr/> 160 059 828
<hr/>			

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Rendering of services		15 056 590	13 349 179
Rental of facilities and equipment		402 435	285 357
Interest received (trading)		1 771 784	885 729
Licences and permits		26 282	31 085
Property rates		2 332 841	2 267 974
Fines		717 256	4 900 990
Government grants & subsidies		47 222 770	34 549 728
	20	67 529 958	56 270 042
Cost of sales			
		-	-
		67 529 958	56 270 042
		-	-
Other income			
Building Plans		17 833	117 697
Commissions received		35 587	33 038
Departmental Electricity		219 231	73 161
Insurance Claims		81 069	59 483
Graves		10 338	10 222
SETA		54 637	63 482
Other income		28 700	64 348
Miscellaneous Income		109 504	1 150 414
Connection Fees		14 613	26 463
Interest received	30	224 842	124 512

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2013

796 354	1 722 820
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(55 908 296)	(55 423 730)
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Expenses (Refer to page 10)

(55 908 296)	(55 423 730)
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67 529 958	56 270 042
796 354	1 722 820
(55 908 296)	(55 423 730)
12 418 016	2 569 132
(874 990)	(661 869)

Operating surplus

26

Finance costs

33

Profit (loss) before taxation

Taxation

11 543 026	1 907 263
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Surplus for the year

11 543 026	1 907 263
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Operating expenses			
Advertising		(120 052)	(130 545)
Auditors remuneration	34	(873 297)	(1 413 018)
Bank charges		(134 439)	(129 517)
Bulk purchases		(8 981 801)	(7 690 532)
Departmental electricity		(330 809)	(280 597)
Community development and training		(64 171)	(5 895)
Computer expenses		(158 293)	(146 285)
Consulting and professional fees		(479 935)	(883 059)
Contracted Services		-	(3 834 225)
Depreciation, amortisation and impairments		(18 508 382)	(16 029 985)
Employee costs		(16 978 423)	(13 818 608)
Entertainment		(118 000)	(105 721)
SETA Levy		(205 879)	(125 615)
Office expenditure		(27 203)	(23 999)
Assurance		(158 427)	(522 180)
Workman's compensation		(3 065)	(4 844)
Insurance		(43 698)	-
Interest on Finance lease		(22 920)	(575 326)
Legal expenses		(200 110)	(21 860)
Other expenses		(1 151 779)	(3 649 575)
Petrol and oil		(564 900)	(509 124)
Subsistence and travelling		(1 192 825)	(694 361)
Printing and stationery		(438 624)	(334 776)
Refuse		(218 503)	(120 748)
Repairs and maintenance		(1 874 120)	(2 386 330)
Railage & travelling costs		(4 105)	(5 307)
Security		(48 520)	(40 845)
Telephone and fax		(354 295)	(452 940)
Training		(13 656)	(14 540)
Interest: unwinding		(491 787)	-
Equipment		(27 160)	(38 347)
Grant expenditure		(2 103 978)	(1 428 790)
Health expenses		(15 140)	(6 236)

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
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		(55 908 296)	(55 423 730)
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Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	31 790 556	123 240 846	155 031 402
Adjustments			
Prior year adjustments	-	3 167 551	3 167 551
Restated Balance as at 01 July 2011	31 790 556	126 408 397	158 198 953
Changes in net assets			
Surplus for the year	-	1 907 263	1 907 263
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	(167 500)	167 500	-
Net gains / losses not recognized in Statement of Financial Performance	-	(46 388)	(46 388)
Total changes	(167 500)	2 028 375	1 860 875
Opening balance as previously reported	31 623 056	128 436 772	160 059 828
Adjustments			
Prior year adjustments	-	1 505 103	1 505 103
Balance at 01 July 2012 as restated	31 623 056	129 941 875	161 564 931
Changes in net assets			
Reversal of impairment losses on revalued capital assets	(100 150)	100 150	-
Net income (losses) recognised directly in net assets	(100 150)	100 150	-
Surplus for the year	-	11 543 026	11 543 026

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Financial Statements for the year ended 30 June 2013

Total recognised income and expenses for the year	(100 150)	11 643 176	11 543 026
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Total changes	(100 150)	11 643 176	11 543 026
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Balance at 30 June 2013	31 522 906	141 585 051	173 107 957
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Note(s)	12
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		19 366 217	13 349 179
Grants		50 409 009	34 549 729
Investment Income		224 842	124 512
Other cash items		3 060 552	4 355 606
		<hr/>	<hr/>
		73 060 620	52 379 026
Payments			
Employee costs		(16 202 601)	(13 818 608)
Suppliers		(25 924 887)	(18 987 332)
Finance costs		(715 916)	(661 869)
		<hr/>	<hr/>
		(42 843 404)	(33 467 809)
Total receipts		<hr/>	<hr/>
Total payments		(42 843 404)	(33 467 809)
Net cash flows from operating activities	37	30 217 216	18 911 217
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(25 989 043)	(18 687 982)
Proceeds from sale of property, plant and equipment	3	14 502	3 747
Purchase of other intangible assets	4	(309 424)	-

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Increase in money market instruments		(15 955)	-
Net cash flows from investing activities		(26 299 920)	(18 684 235)
Cash flows from financing activities			
Repayment of other interest bearing liabilities		(66 477)	152 512
Movement in Dr. Segomotsi Ruth Mompoti District Municipality's Loan		(17 094)	300 700
Movement in other liability 3		140 236	525 881
Finance lease payments		(246 937)	(231 505)
Net cash flows from financing activities		(190 272)	747 588
Net increase/(decrease) in cash and cash equivalents		3 727 024	974 570
Cash and cash equivalents at the beginning of the year		3 066 147	2 091 577
Cash and cash equivalents at the end of the year	11	6 793 171	3 066 147

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	19 435 954	(4 339 115)	15 096 839	15 056 590	(40 249)
Rental of facilities and equipment	312 790	146 948	459 738	402 435	(57 303)
Interest received (trading)	1 319	359 573	360 892	1 771 784	1 410 892
Licences and permits	61 502	(33 246)	28 256	26 282	(1 974)
Fees earned	69 875	(59 205)	10 670	17 833	7 163
Commissions received	34 766	1 398	36 164	35 587	(577)
Royalties received	-	253 110	253 110	219 231	(33 879)
Rental income	-	-	-	81 069	81 069
Discount received	12 823	(4 325)	8 498	10 338	1 840
Recoveries	43 000	(24 780)	18 220	54 637	36 417
Other income	58 186	(34 606)	23 580	28 700	5 120
Miscellaneous income	32 161	75 261	107 422	109 504	2 082
Connection fees	20 741	(15 853)	4 888	14 613	9 725
Interest received - investment	86 298	49 845	136 143	224 842	88 699

Total revenue from exchange transactions	20 169 415	(3 624 995)	16 544 420	18 053 445	1 509 025
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Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2013

Revenue from non-exchange transactions

Revenue					
Property rates	3 322 391	(490 367)	2 832 024	2 332 841	(499 183)
Fines	4 160 516	(586 893)	3 573 623	717 256	(2 856 367)
Government grants & subsidies	61 777 069	(9 709 480)	52 067 589	47 222 770	(4 844 819)

Total revenue from non-exchange transactions	69 259 976	(10 786 740)	58 473 236	50 272 867	(8 200 369)
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'Total revenue from exchange transactions'	20 169 415	(3 624 995)	16 544 420	18 053 445	1 509 025
'Total revenue from non-exchange transactions'	69 259 976	(10 786 740)	58 473 236	50 272 867	(8 200 369)
Total revenue	89 429 391	(14 411 735)	75 017 656	68 326 312	(6 691 344)

Expenditure

Personnel	(16 025 261)	93 523	(15 931 738)	(15 169 434)	762 304
Remuneration of councillors	(1 778 877)	1	(1 778 876)	(1 808 989)	(30 113)
Interest: unwinding	-	-	-	(491 787)	(491 787)
Depreciation and amortisation	(3 613 340)	-	(3 613 340)	(10 166 581)	(6 553 241)
Impairment loss/ Reversal of impairments	(15 000 000)	7 500 000	(7 500 000)	(8 341 801)	(841 801)
Finance costs	(729 827)	341 350	(388 477)	(874 990)	(486 513)

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2013

Repairs and maintenance	(1 400 807)	155 432	(1 245 375)	(1 874 120)	(628 745)
Bulk purchases	(9 329 370)	3 098	(9 326 272)	(8 981 801)	344 471
Grants and subsidies paid	(5 129 971)	3 441 124	(1 688 847)	-	1 688 847
General Expenses	(15 486 668)	1 228 856	(14 257 812)	(9 073 783)	5 184 029

Total expenditure	(68 494 121)	12 763 384	(55 730 737)	(56 783 286)	(1 052 549)
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	20 935 270	(1 648 351)	19 286 919	11 543 026	(7 743 893)	
	-	-	-	-	-	
Surplus before taxation	20 935 270	(1 648 351)	19 286 919	11 543 026	(7 743 893)	
Deficit before taxation	20 935 270	(1 648 351)	19 286 919	11 543 026	(7 743 893)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	20 935 270	(1 648 351)	19 286 919	11 543 026	(7 743 893)	

Reconciliation

Basis difference

Grants and subsidies	4 438 453
Income generated	901 258
Repairs and maintenance	429 646
Employee costs	(891 958)
Depreciation	7 438 972
Operating costs	(5 958 347)
Total difference between Actual and Final Budget amounts	(6 358 024)

**Actual Amount in the
Statement of Financial
Performance**

11 543 026

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

ASSETS

Current Assets

Inventories	458 000	(190 000)	268 000	149 207	(118 793)
Current Portion of Long Term Receivable	12 000 000	(12 000 000)	-	-	-
Receivables from non-exchange transactions	2 549 000	4 016 000	6 565 000	503 496	(6 061 504)
VAT receivable	-	-	-	802 386	802 386
Consumer debtors	-	-	-	1 192 529	1 192 529
Cash and cash equivalents	(662 000)	1 186 000	524 000	6 793 171	6 269 171

14 345 000	(6 988 000)	7 357 000	9 440 789	2 083 789
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Non-Current Assets

Investment property	-	-	-	4 772 903	4 772 903
Property, plant and equipment	233 183 000	(45 494 000)	187 659 000	201 055 765	13 396 765
Intangible assets	-	-	-	309 113	309 113
Long Term Debtors	-	-	-	15 955	15 955

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

233 183 000	(45 494 000)	187 659 000	206 153 736	18 494 736
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Non-Current Assets	14 345 000	(6 988 000)	7 357 000	9 440 789	2 083 789
Current Assets	233 183 000	(45 494 000)	187 659 000	206 153 736	18 494 736
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-	-
TOTAL ASSETS	247 528 000	(52 482 000)	195 016 000	215 594 525	20 578 525

LIABILITIES

Current Liabilities

Other Interest Bearing Liabilities	539 000	(459 000)	80 000	70 874	(9 126)
Finance lease obligation	-	-	-	535 491	535 491
Trade and other payables (exchange transaction)	10 611 000	(743 000)	9 868 000	13 704 302	3 836 302
Consumer deposits	367 000	106 000	473 000	493 715	20 715
Retirement benefit obligation	-	-	-	589 000	589 000
Unspent conditional grants	-	-	-	7 574 913	7 574 913
Provisions	-	6 009 000	6 009 000	5 956 100	(52 900)
Accrued Bonus	-	-	-	283 606	283 606
Accrued Leave	-	-	-	666 117	666 117

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

11 517 000	4 913 000	16 430 000	29 874 118	13 444 118
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Non-Current Liabilities

Other Interest Bearing Liabilities	-	-	-	5 597 221	5 597 221
Finance lease obligation	-	-	-	1 234 707	1 234 707
Retirement benefit obligation	-	-	-	5 286 000	5 286 000
Provisions	6 639 000	11 590 000	18 229 000	494 522	(17 734 478)

6 639 000	11 590 000	18 229 000	12 612 450	(5 616 550)
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	11 517 000	4 913 000	16 430 000	29 874 118	13 444 118	
	6 639 000	11 590 000	18 229 000	12 612 450	(5 616 550)	
	-	-	-	-	-	

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

TOTAL LIABILITIES	18 156 000	16 503 000	34 659 000	42 486 568	7 827 568	
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Assets	247 528 000	(52 482 000)	195 016 000	215 594 525	20 578 525	
LIABILITIES	(18 156 000)	(16 503 000)	(34 659 000)	(42 486 568)	(7 827 568)	
NET ASSETS	229 372 000	(68 985 000)	160 357 000	173 107 957	12 750 957	

NET ASSETS

Net Assets Attributable to Owners of Controlling Entity

Reserves

Revaluation reserve	12 000	31 623 000	31 635 000	31 522 906	(112 094)	
Accumulated surplus	229 359 000	(100 637 000)	128 722 000	141 566 786	12 844 786	

Total Net Assets	229 371 000	(69 014 000)	160 357 000	173 089 692	12 732 692	
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	27 938 000	(10 180 000)	17 758 000	19 366 217	1 608 217
Grants	58 330 000	(6 262 000)	52 068 000	50 409 009	(1 658 991)
Interest income	93 000	421 000	514 000	224 842	(289 158)
Other cash item	-	-	-	3 060 552	3 060 552

86 361 000	(16 021 000)	70 340 000	73 060 620	2 720 620
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Payments

Suppliers and Employees	(47 036 000)	769 000	(46 267 000)	(41 876 747)	4 390 253
Finance costs	(283 000)	62 000	(221 000)	(836 069)	(615 069)
Transfers and Grants	(148 000)	-	(148 000)	-	148 000

(47 467 000)	831 000	(46 636 000)	(42 712 816)	3 923 184
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Total receipts	86 361 000	(16 021 000)	70 340 000	73 060 620	2 720 620
Total payments	(47 467 000)	831 000	(46 636 000)	(42 712 816)	3 923 184

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net cash flows from operating activities	38 894 000	(15 190 000)	23 704 000	30 347 804	6 643 804	
<u>Cash flows from investing activities</u>						
Purchase of property, plant and equipment	(39 914 000)	13 702 000	(26 212 000)	(25 507 815)	704 185	
Proceeds from sale of property, plant and equipment	-	-	-	18 262	18 262	
Purchase of other intangible assets	-	-	-	(309 424)	(309 424)	
Net cash flows from investing activities	(39 914 000)	13 702 000	(26 212 000)	(25 798 977)	413 023	
<u>Cash flows from financing activities</u>						
Payments of borrowings	80 000	(160 000)	(80 000)	(316 181)	(236 181)	
Consumer Deposits Increase	-	-	47 000	-	(47 000)	
Net cash flows from financing activities	80 000	-	(33 000)	316 181	(283 181)	
Net increase/(decrease) in cash	(940 000)	(1 488 000)	(2 541 000)	4 232 646	6 773 646	

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
and cash equivalents						
Cash and cash equivalents at the beginning of the year	280 000	2 786 000	3 066 000	3 066 147	147	
 Cash and cash equivalents at the end of the year	 (660 000)	 1 298 000	 525 000	 7 298 793	 6 773 793	

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Reconciliation

Net cash from (used) operating

Receipts

Service Charges	1 608 217
Grants	(1 658 991)
Interest	(289 158)
Other Income	3 060 552

Payments

Suppliers	4 390 253
Finance Cost	(615 069)
Grant transfers	148 000

Investing

PPE Purchase	704 185
PPE Proceeds	18 262
Intangibles	(309 424)

Financing

Borrowings Repayments	(236 181)
Consumer deposits	(47 000)

Net cash from (used) investing

Amount Brought Forward

Difference	(6 773 646)
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

**Actual Amount in the Cash
flow statement**

7 298 793

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Statements and Interpretations Not Yet Effective

GRAP Standards

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality:

- GRAP 25 - Employee Benefits;
- GRAP 20 - Related Party Disclosures;
- GRAP 105 - Transfer of Functions Between Entities Under Common Control;
- GRAP 106 - Transfer of Functions Between Entities Not Under Common Control;
- GRAP 107 - Mergers;
-

Regarding GRAP 105, 106, 107, 20 and 25, there are not effective dates as yet as the Minister of Finance has not yet determined the effective dates. The nature of the impending changes, when the municipality intends to adopt them and the likely impact on the financial statements will be discussed or determined when the Minister of Finance determines the effective date.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

In the process of applying the municipality's policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements and these are consistent with the previous period:

Impairment of trade and other receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per debtor per service.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note26

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Accounting Policies

1.2 Transfer of functions between entities under common control (continued)

Post-retirement medical aid benefit

The cost of post-retirement medical aid benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 6.

Additional information is disclosed in Note 5.

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and the carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.4 Property, plant and equipment

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If the expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the Statement of Financial Performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

Accounting Policies

1.4 Property, plant and equipment (continued)

The depreciation rates are based on the following estimated useful lives:

<u>Item</u>	<u>Average useful life (years)</u>
Land and buildings	
• Land	Not applicable
Infrastructure	
• Roads and Paving	45-50
• Electricity	45-50
• Water	15 - 100
• Sewerage	15 - 100
Community	
• Buildings	30-100
• Recreational facilities	15-60
• Security	5
Other	
• Specialised plant and equipment	10-15
• Specialist vehicles	5 - 20
• Other vehicles	5 - 10
• Office equipment	3 - 7
• Furniture and fittings	7 - 10
• Landfill sites	10-65
• Water craft	15
• Bins and containers	5
• Other items of plant and equipment	2-5

Accounting Policies

1.4 Property, plant and equipment (continued)

Impairment of property, plant and equipment

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Finance Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.5 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<u>Item</u>	<u>Useful life</u>
Computer software	3- 7 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Accounting Policies

1.4 Property, plant and equipment (continued)

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Accounting Policies

1.6 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.7 Financial instruments

Classification

Financial instruments are recognised when the municipality becomes party to the contractual provisions of the instrument and are initially measured at fair value plus, in the case of a financial asset or liability, not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets and liabilities at fair value through surplus or deficit
- Financial assets and liabilities at amortised cost .
- Financial Assets and Liabilities at cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Financial instruments at cost are subsequently measured at the initial recognition amount.

Financial instruments at amortised cost are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Accounting Policies

1.7 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Financial instruments designated as at fair value through surplus or deficit

The municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Interest is charged on overdue amounts.

Amounts receivable within 12 months from the date of reporting are classified as current.

Trade and other receivables are classified as loans and receivables.

Accounting Policies

1.7 Financial instruments (continued)

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement have not been issued.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to an insignificant risk of changes in value.

For purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

Financial assets are recognised when the rights to receive cash flows from the assets have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Accounting Policies

1.8 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories consists of raw materials, water and consumables. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is generally determined using the first-in- first-out principle except where stated otherwise.

Some of the inventory items are used for surrogating purposes. However, due to the fact that some of the components of these inventories would have been removed or faulty, the value of the inventories cannot be determined. As such these inventory items have no value attached to them.

Accounting Policies

1.9 Inventories (continued)

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the valuation roll or total cost of servicing the land.

Water inventory

Water is measured at the lower of purifying cost and net realisable value, insofar as it is stored and controlled in reservoirs and pipe network at year end.

Readings of water levels are taken at year-end, which is quantified at the above value.

1.10 Going concern assumptions

The annual financial statements have been prepared on the assumption that the municipality will continue to operate on a going concern basis for at least the next twelve months.

1.11 Impairment of Property, Plant and Equipment

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.11 Impairment of Property, Plant and Equipment (continued)

Value in use

Value in use of an asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for any asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Incomplete Construction Work (Work In Progress)

Incomplete construction work is stated at historical costs. Historical costs relates to accumulation of capital amounts incurred to the date of commission. Depreciation will only commence when the asset is available for use, after commissioning.

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. Liabilities relating to such benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of performance bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be estimated reliably.

Defined contribution plans

The municipality's and its employees contribute to various pension, provident and retirement funds and its Councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefit are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirement of the various funds. Current contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Some of the various funds that the municipality contributes to are multi-employer defined benefit plans but they are accounted for as defined contribution plans. This is so because of the nature of these funds and the fact that the assets are not specifically associated to meet the obligations in respect of individual employers in terms of paragraph 30 of IAS 19. Thus, there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual municipalities participating in the plan. The contributions to the fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national or provincial basis, using the projected unit credit method. Deficits, if any, are recovered through lumpsum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit plans

The cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the municipality's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees.

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of all of the medical aid funds with which the municipality is associated, a member is entitled to remain a continued member of the medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These medical aid funds are classified as defined benefit plans.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. the current service cost includes the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service.

Where some of the employees are not members of any qualifying medical aid scheme as at reporting date, the municipality accrues 50% of such potential liability. This management estimate is meant to cater for employees who are likely to join the qualifying medical schemes in future but before retirement.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.14 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are not recognised for future operating surplus.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site, is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The provision (liability) is periodically discounted or interest is unwound on a yearly basis. The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Revenue from exchange transactions

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximated the consideration received or receivable.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, trade discounts, returns and volume rebates.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties, dividends & other income

Interest earned on investments is recognised on a time proportion basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as against or for revenue in the invoicing period.

Income from agency services: Income from agency services is recognised on a monthly basis once the income collected/received on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Revenue from rates is recognised when the legal entitlement to this revenue arises. A site rating system is applied. In terms of this system, assessment rates are levied on the land value of the property. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue. Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summons. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summons the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. By nature, a reliable estimate cannot be made of revenue from summons and spot fines. The revenue from fines is therefore recognised when the public prosecutor or ticketed person pays over to the entity the cash actually collected on summons and/or spot fines (on receipt basis).

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Unconditional grants and receipts

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available, which in most cases is on receipt.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Donations and contributions

Revenue from donations is recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- any restrictions associated with the donation have been met

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

1.17 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.18 Pre-paid electricity

Revenue from the sale of electricity using pre-paid meter cards is recognised based on consumption.

The consumption is determined on the following trend analysis:

- During the winter season (May, June, July and August), the municipality tend to sell more units as the temperatures will be generally low.
- The municipality calculates the average sales for the four months. The resultant average units are compared to the sales for May and August for reasonableness. If the average sales in units are within a reasonable range or threshold of the May and August sales, the average is deemed reasonable. If it is not within the reasonable range obtained for the two months, reasons for the significant variances are obtained and accounted for in appropriately, which may be in the form of an adjustment to the revenue for pre-paid electricity. Thus, exceptional items are adjusted for.
- The resultant reasonable average consumption rate is used as an estimate for the consumption of pre-paid electricity for the month of June. The actual units sold in June are then compared to the estimated consumption for June.

If the actual quantity sold is more than the estimated consumption for June, pre-paid electricity revenue sales for June is then based on the estimated consumption units and the excess is deferred to July of the ensuing period.

Accounting Policies

1.18 Pre-paid electricity (continued)

If the actual quantity sold in June is less than the estimated consumption for June, pre-paid electricity for June is then based on the actual units sold.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division or permitted by the MFMA.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Accounting Policies

1.22 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.24 Internal reserves

Fair Value Adjustment Reserve

The municipality recognises all fair value adjustments for its available for sale financial instruments in equity, in the Fair Value Adjustment Reserve. When a part of the available for sale instruments are derecognised, a transfer (representing the fair value adjustment realised) is made from the reserve to the statement of financial performance.

1.25 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.26 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

Accounting Policies

1.27 Contingent Assets and Liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.28 Treatment of Administration and Other Overheads

The costs of internal support services are transferred to the various services and departments to whom resources are made available..

1.29 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.30 Segmental information

Segmental information on property, plant and equipment is set out in Appendices . Other segmental information is currently exempt.

1.31 Capital Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.32 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2012 to 30/06/2013.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.33 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

2. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	4 772 903	-	4 772 903	4 772 903	-	4 772 903

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	4 772 903	4 772 903

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	4 772 903	4 772 903

Fair value of investment properties	4 393 203	4 393 203
Adjustments at fair value	379 700	379 700
Total	4 772 903	4 772 903

Details of property

Thembelihle Local Municipality

Financial Statements for the year ended 30 June 2013

Investment Property

Terms and conditions		
Buildings	1 100 773	1 100 773
Land	3 672 130	3 672 130
	4 772 903	4 772 903

A professional Valuer was engaged by the Municipality to determine the Values of the Property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

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3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	30 935 083	(1 029 256)	29 905 827	30 921 000	(929 106)	29 991 894
Plant and machinery	1 487 788	(1 248 541)	239 247	1 462 994	(945 040)	517 954
Furniture and fixtures	1 211 068	(851 582)	359 486	1 172 733	(684 097)	488 636
Motor vehicles	1 047 000	(515 238)	531 762	1 047 000	(353 285)	693 715
Office equipment	3 382 201	(1 605 557)	1 776 644	2 933 803	(956 044)	1 977 759
Emergency Equipment	299 138	(252 219)	46 919	299 138	(198 374)	100 764
Infrastructure	78 203 815	(45 018 475)	33 185 340	78 203 815	(42 192 048)	36 011 767
Community	4 940 302	(979 672)	3 960 630	4 940 302	(755 430)	4 184 872
Roads Network	157 151 965	(106 078 603)	51 073 362	157 151 965	(103 012 844)	54 139 121
Bins and containers	6 780	(5 695)	1 085	6 780	(4 361)	2 419
Work In Progress	41 688 879	-	41 688 879	16 267 671	-	16 267 671
Electricity Network	17 566 341	(10 031 070)	7 535 271	17 566 341	(9 532 894)	8 033 447
Wastewater network	50 286 632	(24 750 334)	25 536 298	50 286 632	(23 191 952)	27 094 680
Landfill site	6 692 345	(1 477 330)	5 215 015	6 692 345	(864 022)	5 828 323
Total	394 899 337	(193 843 572)	201 055 765	368 952 519	(183 619 497)	185 333 022

Thembelihle Local Municipality
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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals/Corr ections	Depreciation on Cost	Depreciation on Revaluation	Total
Land and Buildings	29 991 894	14 083	-	-	(100 150)	29 905 827
Plant and machinery	517 954	24 794	-	(303 501)	-	239 247
Furniture and fixtures	488 636	39 815	(499)	(168 466)	-	359 486
Motor vehicles	693 715	-	-	(161 953)	-	531 762
Office equipment	1 977 759	489 143	(14 003)	(676 255)	-	1 776 644
Emergency equipment	100 764	-	-	(53 845)	-	46 919
Water Network	36 011 767	-	-	(2 826 427)	-	33 185 340
Community	4 184 872	-	-	(224 242)	-	3 960 630
Roads Network	54 139 121	-	-	(3 065 759)	-	51 073 362
Bins and containers	2 419	-	-	(1 334)	-	1 085
Work In Progress	16 267 671	25 421 208	-	-	-	41 688 879
Electricity Network	8 033 447	-	-	(498 176)	-	7 535 271
Wastewater network	27 094 680	-	-	(1 558 382)	-	25 536 298
Land fill site	5 828 323	-	-	(613 308)	-	5 215 015

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

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3. Property, plant and equipment (continued)

185 333 022	25 989 043	(14 502)	(10 151 648)	(100 150)	201 055 765
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Adjustments for unrecognised assets	Disposals	Depreciation on Revaluation	Depreciation on Cost	Total
Buildings	29 566 744	-	510 000	-	(84 850)	-	29 991 894
Plant and machinery	823 474	3 750	-	-	-	(309 270)	517 954
Furniture and fixtures	643 196	50 813	-	-	-	(205 373)	488 636
Motor vehicles	794 853	-	-	-	-	(101 138)	693 715
Office equipment	293 945	180 958	1 674 790	(3 747)	-	(168 187)	1 977 759
Emergency Equipment	154 609	-	-	-	-	(53 845)	100 764
Water Network	38 858 934	-	-	-	-	(2 847 167)	36 011 767
Community	4 267 522	-	-	-	-	(82 650)	4 184 872
Roads Network	57 530 456	-	-	-	-	(3 391 335)	54 139 121
Bins and containers	3 639	-	-	-	-	(1 220)	2 419
Work In Progress	-	16 267 671	-	-	-	-	16 267 671
Electricity Network	8 537 125	-	-	-	-	(503 678)	8 033 447
Wastewater network	28 929 613	-	-	-	-	(1 834 933)	27 094 680
Landfill sites	6 365 748	-	-	-	-	(537 425)	5 828 323

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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3. Property, plant and equipment (continued)

	176 769 858	16 503 192	2 184 790	(3 747)	(84 850)	(10 036 221)	185 333 022
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Pledged as security

There are no assets pledged as security:

Assets subject to finance lease (Net carrying amount)

Office equipment

	1 480 633	1 674 790
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

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3. Property, plant and equipment (continued)

Other information - Land

The municipality is still in the process of identifying all the land that belongs to the municipality as well as land not belonging to the municipality that has been treated as municipality land. Once this process is done all land which belongs to the municipality will be accurately disclosed.

Useful lives

The useful lives of the have been reviewed to ensure that they more accurately reflect the actual expected life spans of the assets within the municipality. In all of the cases, the useful lives were not adjusted as they were found to be reasonable.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Deemed cost

Aggregate of items valued using deemed cost	30 411 000	30 411 000
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Deemed cost was determined using market values that were in the fixed asset register.

4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	334 642	(25 529)	309 113	25 218	(10 596)	14 622

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	14 622	309 424	(14 933)	309 113

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3. Property, plant and equipment (continued)

Pledged as security

No intangible assets are pledged as security.

Notes to the Financial Statements

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4. Intangible assets (continued)

Transitional provisions

Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , certain intangible assets with a carrying value of R1 (2012: R1) was recognised at provisional amounts. Carrying amounts of intangible assets carried at provisional amounts are as follows:

Due to initial adoption of GRAP 102

Sabata System	6 196	6 196
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Steps taken to establish the values of intangible assets recognised at provisional amounts due to the initial adoption of GRAP 102, are that an estimate of the cost to install the system to the level of our utilisation and capacity will be obtained from the system providers. This will then be used as a basis for determining the value. This will be done by the end of the current financial period.

There were no provisional amounts retrospectively adjusted during the year.

Sabata system	6 196	6 196
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The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

Deemed cost

Aggregate of items valued using deemed cost	6 196	6 196
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5. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of , LA Health, Hosmed,Bonitas, Keyhealth and SAMWUMED medical aid schemes.

The municipality is committed to pay 61% of the members' post employment medical aid contributions. Under the plan, dependents of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 66 service members and 5 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2013 by Liberty Specialised Insurance. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
<hr/>		
5. Employee benefit obligations (continued)		
<u>The amounts recognised in the statement of financial position are as follows:</u>		
<u>Carrying value</u>		
Present value of the defined benefit obligation - Active Members	(3 835 000)	(3 295 000)
Present value of the defined benefit obligation-Continuation	(2 040 000)	(1 963 945)
 Net liability	 (5 875 000)	 (5 258 945)
 <hr/>		
Non-current liabilities	(5 286 000)	(4 973 134)
Current liabilities	(589 000)	(285 811)
	(5 875 000)	(5 258 945)
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The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.		
<u>Changes in the present value of the defined benefit obligation are as follows:</u>		
Opening balance	5 258 945	5 456 063
Net expense recognised in the statement of financial performance	616 055	(197 118)
 Closing balance	 5 875 000	 5 258 945
 <hr/>		
<u>Net expense recognised in the statement of financial performance</u>		
Current service cost	286 000	198 911
Past service cost	-	(170 268)
Interest cost	417 000	467 120
Actuarial losses/(gains)	(86 945)	(692 881)
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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5. Employee benefit obligations (continued)

Total included in employee related costs	616 055	(197 118)
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Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(86 945)	(692 881)
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Key assumptions used

The principal assumptions used for the purpose of the actuarial valuation on 30 June 2013 were as follows:

Discount rates used	8,80%	8,03%
Consumer price inflation	7,80%	6,98%

Demographic Assumptions: Age between husband and wife (Active members - 4 years, Pensioners - actual age used); Proportion married (Active members - 80%, Pensioners - actual married status used) .

Decrement Assumptions: Mortality [Active members: SA(85 - 90), Pensioners: PA(90)]

Data Assumptions: The following data assumptions were made due to non-availability sufficient information; (a) Dates of birth for 13 pensioners could not be obtained. It was therefore assumed that the pensioners are 66 years old; (b) Gender for 8 pensioners could not be determined. It was therefore assumed that all such pensioners are male; (c) The marital status for 6 pensioners could not be established. It was therefore assumed that the pensioners are married and the spouses are 4 years younger than the pensioners.

Continuation percentages: It was assumed that 95% of the deceased pensioners' spouses will continue with their membership.

Notes to the Financial Statements

Figures in Rand	2013	2012
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5. Employee benefit obligations (continued)

Other assumptions - Sensitivity Analysis

The level of inflation and the discount rate were varied whilst keeping all the other assumptions constant in order to determine the impact of varying the inflation and discount rates on the liability:

	<u>One percentage point increase</u>	<u>One percentage point decrease</u>
Inflation	6 633 000	4 892 000
Discount Rate	6 633 000	4 904 000
Mortality Improvements	5 668 000	6 108 000

Amounts for the current and previous four years are as shown below. .

	2013	2012	2011	2010	
Defined benefit obligation at end of year	5 875 000	5 258 945	5 456 063	4 712 276	-
Interest costs	417 000	467 120	-	-	-
Current service costs	268 000	198 911	-	-	-
Expected Employer Benefit Payments	141 000	-	-	-	-

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act and some are multi-employer, exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the Multi-Employer Pension Fund contributions, which due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s), are accounted for as Defined Contribution Plans.

Multi-Employer and State Plans

The following are the defined benefit plans that the municipality's employees belong to:

- Municipal Council Pension Fund
- Cape Joint Fund
- South African Local Authorities (SALA) Pension Fund

These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 paragraph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

In terms of contributions to the fund, the municipality and employee contributions are as follows:

- SALA Pension Fund - Employee (8.6%); Employer (20.78%);
- SAMWU Pension Fund - Employee (8.6%); Employer (18.6%)
- Metropolitan Pension Fund - Employee (8.6%); Employer (18.06%)
- Municipal Gratuity Fund - Employee (8.6%); Employer (18.6%)

An amount of R2,221,348 (2010: R1,787,840) was contributed by council in respect of councillors and employees retirement fund. These contributions have been expensed and are included in employee related costs for the year.

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

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6. Inventories

Other inventories for sale	18 262	-
Consumable stores	116 528	175 047
Water	14 417	6 676
	149 207	181 723

Inventory pledged as security

No inventory was pledged as security for the current and previous year.

7. Trade and other receivables (exchange transactions)

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the current and prior year.

8. Receivables from non-exchange transactions

Provision for credit losses	(6 929 946)	(6 268 495)
Assessment rates	5 048 297	4 522 173
Building clauses	135 071	132 450
Fines	51 690	51 690
Other receivables from non-exchange revenue	559 097	440 888
Informal settlement	1 639 287	1 534 851
	503 496	413 557

Receivables from non-exchange transactions pledged as security

There were no other receivables from non-exchange transactions pledged as security during the current and prior year.

Other receivables from non-exchange transactions not impaired

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

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Some of the other receivables from non-exchange transactions were not considered to be impaired. At 30 June 2013, R525,632 (2012: R1,421,799) were not impaired.

1 month past due	512 073	1 408 105
2 months past due	9 150	9 698
3 months past due	4 409	3 996

Receivables from non-exchange transactions impaired

As of 30 June 2013, other receivables from non-exchange transactions of R7,149,541 (2012: R6,268,495) were impaired and provided for.

The amount of the provision was R7,149,541 as of 30 June 2013 (2012: R6,268,495).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	6 268 495	5 480 120
Adjustment to provision for impairment	881 046	788 375

	7 149 541	6 268 495
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9. VAT receivable

Opening balance	1 372 412	915 338
Current year movement	(570 026)	-

	802 386	915 338
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Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
Net balance		
Electricity	887 245	633 405
Water	116 746	91 414
Sewerage	94 046	88 088
Refuse	59 845	45 501
Basic levies	291	-
Housing rental	25 567	51 518
Arrears	8 789	16 197
	1 192 529	926 123
Electricity		
Current (0 -30 days)	666 193	551 073
31 - 60 days	163 718	63 069
61 - 90 days	57 334	19 263
	887 245	633 405
Water		
Current (0 -30 days)	65 308	59 245
31 - 60 days	38 073	10 954
61 - 90 days	13 365	21 215
	116 746	91 414

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Sewerage		
Current (0 -30 days)	62 692	59 720
31 - 60 days	21 659	18 685
61 - 90 days	9 695	9 683
	<hr/>	<hr/>
	94 046	88 088
	<hr/>	<hr/>

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

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Figures in Rand	2013	2012
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10. Consumer debtors (exchange transactions) (continued)		
Refuse		
Current (0 -30 days)	33 405	30 558
31 - 60 days	10 082	8 577
61 - 90 days	16 358	6 366
	<hr/>	<hr/>
	59 845	45 501
<hr/>		
Basic levies		
Current (0 -30 days)	291	-
	<hr/>	<hr/>
Housing rental		
Current (0 -30 days)	24 982	45 237
31 - 60 days	585	6 111
61 - 90 days	-	170
	<hr/>	<hr/>
	25 567	51 518
<hr/>		
Arrears		
Current (0 -30 days)	3 847	12 447
31 - 60 days	2 739	2 129
61 - 90 days	2 203	1 621
	<hr/>	<hr/>
	8 789	16 197
<hr/>		

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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10. Consumer debtors (exchange transactions) (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(28 098 505)	(22 115 735)
Contributions to allowance	(7 460 754)	(5 982 770)
	(35 559 259)	(28 098 505)

Consumer debtors not impaired

Some consumer debtors were not considered to be impaired. At 30 June 2013, R1,192,529 (2012: R926,123) not impaired.

Consumer debtors impaired

As of 30 June 2013, consumer debtors of R35,559,259 (2012: R28,098,505) were impaired and provided for.

The amount of the provision was R35,559,259 as of 30 June 2013 (2012: R28,098,505).

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 724	2 216
Bank balances	6 791 447	3 063 931
	6 793 171	3 066 147

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

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Figures in Rand 2013 2012

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	30 June 2013	30 June 2012	30 June 2013	30 June 2012	
Absa BANK - Current Account (Account No. 40-7030-7030)	149 428	440 883	-	667 724	440 509
Absa BANK - Current Account (Account No. 92-2871-4535)	6 411 951	2 374 258	-	6 411 951	2 374 258
Absa BANK - Current Account (Account No. 40-7512-6489)	104 789	223 100	-	104 789	223 100
Absa BANK - Current Account (Account No. 40-7722-5487)	110 098	26 064	-	110 098	26 064
Traffic Bank Account	-	-	-	2 507	-
Petty Cash	-	-	-	1 724	-
Total	6 776 266	3 064 305	-	7 298 793	3 063 931

12. Revaluation reserve

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus..

Opening balance	31 623 056	31 790 556
Change during the year	(100 150)	(167 500)
	31 522 906	31 623 056

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Financial Statements for the year ended 30 June 2013

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11. Cash and cash equivalents (continued)

13. Fair value adjustment reserve

The fair value adjustment assets reserve comprises all fair value adjustments on available-for-sale financial instruments. When an asset or liability is derecognised, the fair value adjustments relating to that asset or liability is transferred to surplus or deficit. There has been no movement in the fair value of the investment property.

14. Other financial liabilities

At amortised cost

Development Bank of South Africa (DBSA) Loans	5 668 095	5 734 572
Loans are repayable on a quarterly basis, repayments on two of the loans have been temporarily suspended.		

Non-current liabilities

Development Bank of South Africa (DBSA)	5 597 221	5 668 154
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Current liabilities

Development Bank of South Africa (DBSA)	70 874	66 418
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Financial Statements for the year ended 30 June 2013

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15. Finance lease obligation		
Minimum lease payments due		
- within one year	668 088	519 748
- in second to fifth year inclusive	1 314 774	1 724 307
	1 982 862	2 244 055
less: future finance charges	(212 664)	(385 994)
Present value of minimum lease payments	1 770 198	1 858 061
<hr/>		
Present value of minimum lease payments due		
- within one year	535 491	362 122
- in second to fifth year inclusive	1 234 707	1 495 939
	1 770 198	1 858 061
<hr/>		
Non-current liabilities	1 234 707	1 495 939
Current liabilities	535 491	362 122
	1 770 198	1 858 061
<hr/>		

It is municipality policy to lease certain office equipment under finance leases, denominated in the presentation currency (Rand). The average lease term was 3-5 years and the average effective borrowing rate was 9% (2012: 10%).

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Interest rates are fixed at the contract date while some increase by a fixed margin. Some of office equipment leases have fixed repayments whilst others have a variable interest rate. The repayments increase by an average of 10% per year over the period of the lease.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

Defaults and breaches

During the current year, there were no defaults or breaches of any finance leases agreements.

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

16. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	6 705 347	4 719 018
Integrated National Electricity Programme	740 013	271 000
Expanded Public Works Programme	129 553	-
	7 574 913	4 990 018

Movement during the year

Balance at the beginning of the year	4 990 018	1 613 547
Additions during the year	36 362 395	17 425 000
Income recognition during the year	(33 777 500)	(14 048 529)
	7 574 913	4 990 018

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16. Unspent conditional grants (continued)

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

17. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Difference	Reversed during the year	Unwinding interest	Total
Environmental rehabilitation	5 464 313	-	-	491 787	5 956 100
Annual bonus	-	17 094	(17 094)	-	-
Long term service provision	494 522	-	-	-	494 522
	5 958 835	17 094	(17 094)	491 787	6 450 622

Reconciliation of provisions - 2012

	Opening Balance	Difference	Additions	Utilised during the year	Change in estimate	Movement due to discounting	Total
Environmental rehabilitation	5 033 842	-	-	-	(50 478)	480 949	5 464 313
Annual bonus	260 737	(300 700)	39 963	-	-	-	-
Long term service provision	394 933	-	-	99 589	-	-	494 522
	5 689 512	(300 700)	39 963	99 589	(50 478)	480 949	5 958 833

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
<hr/>		
16. Unspent conditional grants (continued)		
Non-current liabilities	494 522	5 594 309
Current liabilities	5 956 100	364 526
	<hr/>	<hr/>
	6 450 622	5 958 835
	<hr/>	<hr/>
<u>Environmental rehabilitation provision</u>		
Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is supposed to rehabilitate such land upon closure of the dumping site. An estimate has been made for this amount. This amount is provisional as work is underway to determine the exact nature and status of the sites.		
18. Trade and other payables (exchange transaction)		
Trade payables	12 595 843	9 501 761
Payments received in advanced	809 934	839 164
Hall rental	3 470	3 470
Other payables	68 019	689
Unallocated Deposits	227 036	169 116
	<hr/>	<hr/>
	13 704 302	10 514 200
	<hr/>	<hr/>
19. Consumer deposits		
Rates	493 715	422 395
	<hr/>	<hr/>

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
20. Revenue		
Service charges	15 056 590	13 349 179
Rental of facilities and equipment	402 435	285 357
Interest received (trading)	1 771 784	885 729
Licences and permits	26 282	31 085
Building Plans	17 833	117 697
Commissions received	35 587	33 038
Departmental electricity	219 231	73 161
Insurance payback	81 069	59 483
Grave Income	10 338	10 222
SETA	54 637	63 482
Other income	28 700	64 348
Miscellaneous Income	109 504	1 150 414
Connection Fees	14 613	26 463
Interest received - investment	224 842	124 512
Property rates	2 332 841	2 267 974
Fines	717 256	4 900 990
Government grants & subsidies	47 222 770	34 549 728
	68 326 312	57 992 862

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	15 056 590	13 349 179
Rental of facilities and equipment	402 435	285 357
Interest received (trading)	1 771 784	885 729
Licences and permits	26 282	31 085
Building Plans	17 833	117 697
Commissions received	35 587	33 038
Electricity Departmental	219 231	73 161
Insurance Claims	81 069	59 483
Graves Income	10 338	10 222
SETA	54 637	63 482
Other income	28 700	64 348
Miscellaneous Income	109 504	1 150 414
Connection Fees	14 613	26 463
Interest received - investment	224 842	124 512
	18 053 445	16 274 170

The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	2 332 841	2 267 974
Fines	717 256	4 900 990

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
Government grants & subsidies	47 222 770	34 549 728
	50 272 867	41 718 692

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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21. Property rates

Rates received

Residential	2 332 841	2 267 974
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Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2011.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

22. Service charges

Service charges	6 067 360	5 708 247
Sale of electricity	8 989 230	7 640 932

	15 056 590	13 349 179
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
<hr/>		
23. Government grants and subsidies		
Operating grants		
Equitable share	14 630 000	12 349 000
	<hr/>	<hr/>
	14 630 000	12 349 000
 Capital grants		
Rural Bulk Infrastructure Grant	15 660 406	8 271 366
Municipal Infrastructure Grant (MIG)	10 963 653	6 244 909
PULA NAL	-	302 025
Municipal Systems Implementation Grant (MSIG)	800 000	790 000
Finance Management Grant (FMG)	1 500 000	1 500 000
Intergrated National Electricity Programme (INEP)	2 530 986	2 500 000
Youth Development Grant	72 000	2 135 428
Library Grant	194 978	457 000
Expanded Public Works Programme	870 747	-
	<hr/>	<hr/>
	32 592 770	22 200 728
	 <hr/>	 <hr/>
	47 222 770	34 549 728
	<hr/>	<hr/>

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

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2012

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R130, based on the monthly billing, and 50 kWh electricity towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water every month.

Financial Management Grant (FMG)

Current year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 500 000)	(1 500 000)

-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

Rural Bulk Infrastructure Grant

Current-year receipts	16 123 395	3 744 394
Conditions met - transferred to revenue	(16 123 395)	(3 744 394)

-

Conditions still to be met - remain liabilities (see note 16).

This grant was allocated for the assistance in water networks and operating expenditure. All conditions attached to the grant were met. No funds have been withheld.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	4 719 018	652 214
Current-year receipts	13 569 000	10 311 713
Refunded	(652 000)	-
Roll over	32 982	-
Conditions met - transferred to revenue	(10 963 653)	(6 244 909)

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
	6 705 347	4 719 018

Notes to the Financial Statements

Figures in Rand	2013	2012
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23. Government grants and subsidies (continued)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of Highmast, sewerage and water purification infrastructure as part of the upgrading of previously disadvantaged areas. No funds have been withheld.

At yearend, not all conditions were met in respect to the upgrading of infrastructure as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at year end.

Integrated National Electricity Programme (INEP)

Balance unspent at beginning of year	271 000	271 000
Current-year receipts	3 000 000	2 223 976
Conditions met - transferred to revenue	(2 530 987)	(2 223 976)
	740 013	271 000

Conditions still to be met - remain liabilities (see note 16).

The grant was used to finance electricity related transactions or projects in the municipal areas.

Library Grant

Current-year receipts	298 000	-
Conditions met - transferred to revenue	(298 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant was as part of their contribution towards the running of the libraries i.e to cover operational costs.

Youth Development Grant

Current-year receipts	72 000	-
Conditions met - transferred to revenue	(72 000)	-
	-	-

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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23. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

Grant Is received from Social Services For Youth Development.

Municipal Systems Improvement Grant (MSIG)

Current year receipts	800 000	790 000
Conditions met -transferred to revenue	(800 000)	(790 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

Expanded Public Works Programme

Current-year receipts	1 000 000	-
Conditions met-transferred to revenue	(870 447)	-

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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23. Government grants and subsidies (continued)

	129 553	-
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Conditions still to be met - remain liabilities (see note 16).

The grant is for the improvement of public infrastructure.

24. Other revenue

Building plan	17 833	117 697
Commissions received	35 587	33 038
Electricity call out	219 231	73 161
Insurance claims	81 069	59 483
Grave income	10 338	10 222
SETA	54 637	63 482
Other income	28 700	64 348
Miscellaneous income	109 504	1 150 414
Connection fees	14 613	26 463

	571 512	1 598 308
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25. General expenses

Advertising	120 052	130 545
Auditors remuneration	873 297	1 413 018
Bank charges	134 439	129 517
Computer expenses	158 293	146 285
Consulting and professional fees	680 045	904 919
Entertainment	118 000	105 721
Insurance related costs	43 698	-
Community development and training	64 171	5 895
Departmental electricity	330 809	280 597
Lease rentals on operating lease	22 920	575 326

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
23. Government grants and subsidies (continued)		
Fuel and oil	564 900	509 124
Subsistence and travelling	1 192 825	694 361
Printing and stationery	438 624	334 776
Travelling costs	4 105	5 307
Security	48 520	40 845
Telephone and fax	354 295	452 940
Training costs	13 656	14 540
Equipment costs	27 160	38 347
Refuse	218 503	120 748
Grant expenditure	2 103 978	1 428 790
SETA Levy	205 879	125 615
Office expenditure	27 203	23 999
Assurance	158 427	522 180
Workman's compensation	3 065	4 844
Health expenses	15 140	6 236
Other expenses	1 151 779	3 649 575
	9 073 783	11 664 050

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

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2012

23. Government grants and subsidies (continued)

26. Operating surplus

Operating surplus for the year is stated after accounting for the following:

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Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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26. Operating surplus (continued)

Impairment on trade and other receivables	8 341 801	5 982 770
Amortisation on intangible assets	14 933	5 645
Depreciation on property, plant and equipment	10 151 648	10 041 570
Employee costs	16 978 423	13 818 608
Amount expensed in respect of retirement benefit plans:	616 000	567 421
Defined benefit funds	616 000	567 421

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
27. Employee related costs		
Basic	7 313 412	7 072 436
Bonus	656 671	596 825
Medical aid - company contributions	470 947	332 321
UIF	96 222	63 046
Other payroll levies	1 446 176	1 201 818
Leave pay provision charge	140 236	(74 985)
Leave gratuity	-	71 701
Leave reserve	270 555	89 788
Post-employment benefits - Pension (Defined contribution plan)	616 055	(12 390)
Travel, motor car, accommodation, subsistence and other allowances	533 635	334 429
Overtime	1 051 651	790 027
Long-service awards	33 444	108 589
Acting allowances	106 860	109 847
Telephone Allowances	35 370	15 003
Cash in lieu of leave	5 528	3 784

12 776 762	10 702 239
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Remuneration of Municipal Manager

Annual Remuneration	487 515	185 107
Allowances	131 112	84 619
Company contributions	95 886	9 003

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
	714 513	278 729

Remuneration of Chief Finance Officer

Annual Remuneration	320 447	409 956
Bonus	39 367	-
Other Allowances	157 501	84 619
Company Contributions	147 659	9 003
	664 974	503 578

The post was vacant from April 2013 and an acting allowance of R78,294.00 was paid from April to 30 June 2013

Remuneration of Corporate Services Director

Annual Remuneration	276 490	244 818
Other Allowances	75 236	74 777
Company contributions	57 952	37 530
	409 678	357 125

Remuneration of Technical Services Director

Annual Remuneration	401 300	281 238
Other Allowances	181 463	28 528
Company contributions	20 744	-
	603 507	309 766

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
<hr/>		
28. Remuneration of councillors		
Mayor's allowance	612 003	446 152
Councillors allowances	1 196 986	1 221 019
	<hr/>	<hr/>
	1 808 989	1 667 171
	<hr/>	<hr/>

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Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
<hr/>		
29. Debt impairment		
Increase in provision for bad debts	8 264 725	613 569
<hr/>		
30. Investment revenue		
Interest revenue		
Bank	224 842	124 512
	-	-
	224 842	124 512
<hr/>		
31. Depreciation and amortisation		
Property, plant and equipment	10 151 648	10 041 570
Intangible assets	14 933	5 645
	10 166 581	10 047 215
<hr/>		
32. Impairment of assets		
Impairments		
Trade and other receivables	8 341 801	5 982 770
	8 341 801	5 982 770
	-	-
<hr/>		
The main classes of assets affected by impairment losses are:		
Receivables		
The main events and circumstances that led to the recognition of these impairment losses are as follows:		
Non payment of long outstanding balances by consumers		
33. Finance costs		
Trade and other payables	705 473	205 285
Finance leases	159 074	-
Bank	-	629
Current borrowings	10 427	170 746
Other interest paid	16	285 209

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
	874 990	661 869
34. Auditors' remuneration		
Fees	873 297	1 413 018
35. Contracted services		
Other Contracted Services	-	3 834 225
36. Bulk purchases		
Electricity	8 727 915	7 422 636
Water	253 886	267 896
	8 981 801	7 690 532

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
37. Cash generated from operations		
Surplus	11 543 026	1 907 263
Adjustments for:		
Depreciation and amortisation	10 166 581	10 047 215
Finance costs - Finance leases	159 074	-
Interest income	-	(725 032)
Finance costs	-	376 660
Impairment loss (reversal)	8 341 801	(141 591)
Post Retirement Liability contribution	616 055	(284 018)
Movements in provisions	491 787	707 400
Changes in working capital:		
Inventories	32 516	(52 349)
Trade and other receivables (exchange transactions)	(8 341 801)	(103 553)
Other receivables from non-exchange transactions	(89 939)	(979 507)
Consumer debtors	(266 406)	-
Trade and other payables (exchange transaction)	3 190 102	4 140 675
VAT	112 952	-
Unspent conditional grants	2 584 895	1 632 326
Other Non-cash items	1 676 573	2 385 728
	30 217 216	18 911 217

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	18 213 586	45 196 412
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Not yet contracted for but authorised by accounting officer

• Property, plant and equipment	34 323 240	28 067 336
---------------------------------	------------	------------

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, own funds, grants and subsidies and existing cash resources.

Notes to the Financial Statements

Figures in Rand

2013

2012

39. Contingencies

Alcedo Engineers

Discussions are in process with regards to a claim by Alcedo Engineers for R 990,000. The amount is not accurate as it relates to inventory provided for by Alcedo with regards to the completion of the project for the refurbishment of the main intake. The amount can not be reliable estimated as the municipality is uncertain of the inventory that it will be able to use for the completion of the project and have not yet had discussions with Alcedo or the new supplier in this regard

Landfill sites

The Municipality has two active landfill sites. It has been identified that the landfill sites situated in Hopetown and Strydenburg are not licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).

In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.

Ursa Civils CC -.

The municipality is facing claims of R90 000 from Ursa Civils for breach of contract.

Contingent liabilities - Environmental Act

In terms of the Environmental Act, the municipality is responsible for a number of environmental related transactions that may take place in its jurisdiction. This give rise to contingent liabilities. However, the nature of such transactions cannot be estimated both financially and the number of occurrence, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

- contingent liabilities relating to fines that may be imposed by the Department of Environmental Affairs as a result of illegal dumping by the municipal residents.
- penalties relating to raw sewerage or sewerage not properly treated being released to the nearby rivers or dams.
- penalties relating to lack of proper security at the municipal's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in certain specified ways so as to avoid related healthy hazards e.g. medical waste.

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Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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40. Related parties

<p>Relationships</p> <p>Accounting Officer</p> <p>Members of key management</p>	<p>Refer to accounting officer's report note</p> <p>Y Goibaiyer - Ubuntu Zakah Trading & Transport</p> <p>E Painting - Painting Semanya Associates, Orange River Toll House, Semrock, Mothopo Technologies, Southern Cross Consulting, Sweet Equity Investments, Aquatechnica Holdings</p> <p>GD Nieuwenhuizen - Griqua Diamonds</p> <p>B Mpamba - Thembelihle Bricks</p> <p>D Jonas - Thembelihle Bricks</p>
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Related party balances

Related party transactions

Interest paid to (received from) related parties

Department of Finance National Treasury	37 897 000	-
Department of Public Works	1 000 000	-

Amounts were received for normal operations as well as for conditional projects.]

There were no loans issued to key management.

41. Change in estimate

Property, plant and equipment

The useful life of certain plant was estimated in 2004 to be 15 years. In the current period management have revised their estimate to 10 years. The effect of this revision has increased the depreciation charges for the current and future periods by -

The is no impact on tax

The impact on the cash flow statement is a decrease in Cash from Operations

Effects On Current Year

Increase in Surplus	221 092	221 092
Increase in Net Assets	884 370	653 110

	1 105 462	874 202
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Effects on Future Years

Increase in Surplus	221 092	442 184
Increase in Net Assets	221 092	221 092

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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42. Prior Period Errors & Change in Accounting Policies

A number of correction were made to the prior years' financial statements as a result of prior period errors and/or changes in the reporting framework (Changes in Accounting Policies). Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated. These corrections/changes resulted in the following adjustments:

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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42. Prior Period Errors & Change in Accounting Policies (continued)

Statement of financial position

Conditional Grant	(1 008 242)	-
Provisions (Land Rehabilitation)	50 478	50 478
Property, plant & equipment	2 737 201	510 000
Inventory	(16 748)	-
Investment Property	(379 700)	-
Finance Lease Liability	(1 858 061)	-
Operating lease liability	108 791	108 791
Accumulated depreciation - PPE	(693 704)	-
Provision for Bad Debts	8 088	8 088

Conditional Grant: Adjustment for an amount that was spent using own funds and shown as a debtor in the Prior Year.

Provision (Land Rehabilitation): Adjustment in carrying amount of provision due to change in estimate as a result of a new valuation.

Investment Property: Adjustment for Properties not recorded in Prior Years.

Property, Plant and Equipment: Adjustment due to assets that were previously not recorded as well as due to assets unbundled.)

Inventory : Water inventory was incorrectly valued in the Prior Year.

Finance Lease: Adjustment for finance leases previously recorded as operating leases..

Provision for Bad Debts: Adjustment for change in the Provision amount incorrectly calculated in the prior year.

Statement of Financial Performance

Depreciation expense	(79 500)	-
Expenditure - Grants	1 008 242	-

Depreciation Expense: See comment under Property, Plant & Equipment above (Statement of Financial Position).

Expenditure Grants: See comment under Conditional Grants above..

The following is the summarised changes in the Statement of Financial Position and Statement of Financial Performance. Description of the nature of changes in the Statement of Financial Performance for the comparative period are shown after the following summary.

Statement of Financial Position

Net Change in Current Assets	(24 756)	-
Net Change in Non-current Assets	2 152 288	-
Net Change in Current Liabilities	1 008 242	-

	3 135 774	-
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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42. Prior Period Errors & Change in Accounting Policies (continued)

State of Financial Performance

Net Change in Expenses	1 149 835	-
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43. Comparative figures

Certain comparative figures have been reclassified.

Notes to the Financial Statements

Figures in Rand	2013	2012
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44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Council audit committee oversees the monitoring of compliance and oversight of the municipality's risk management framework. The Council a Risk management Committee which is responsible for developing and monitoring the municipality's risk management policies.

The shared audit committee oversees the monitoring of compliance with the municipality's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The audit committee is assisted in its oversight role by the municipality's internal audit unit.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council and the finance committee which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Municipality also gets funding from the National and provincial governments which help to ease the pressure of any liquidity crisis.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2013 and 2012, the municipality's borrowings at variable rate were denominated in the Rand.

Credit risk

Credit risk consists of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. The municipality cannot, however, limit the rate at which it can offer services to its stakeholders as it has a constitutional mandate to offer these services.

Trade receivables are presented net of an allowance for impairment.

In terms of the Credit Control and Debt Collection Policy, customers whose accounts become in arrears, collection of such accounts should be done through levying penalty charges, issuing demands for payment, restricting service and handling customers over for collection. However, during the current year proper procedures were not enforced to collect amounts owing to the Municipality. Management is in the process of establishing procedures to be implemented by the credit control function to improve debt collection.

45. Events after the reporting date

There were no major events that occurred subsequent to year end

46. Unauthorised expenditure

Opening balance	48 304 488	44 996 091
Unauthorised expenditure current year (note 53)	8 753 005	3 308 397

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Notes to the Financial Statements

Figures in Rand	2013	2012
	57 057 493	48 304 488

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Notes to the Financial Statements

Figures in Rand	2013	2012
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46. Unauthorised expenditure (continued)

The unauthorised expenditure of R48,304,488 was recommended to Council for approval and Council is still investigating the expenditure. The current year expenditure will be recommended once the opening balance is resolved by Council.

47. Fruitless and wasteful expenditure

Opening balance	1 518 300	-
Interest on Creditors	258 349	1 518 300
SARS Penalties	76 681	-
Bargaining Council Costs	185 466	-
SAMRAS	25 435	-
	2 064 231	1 518 300

Interest on Creditors: The Municipality was charged for interest on outstanding accounts by Eskom, OVK and GWK. These accounts were not settled within 30 days.

SARS Penalties: This relates to penalties charged on late payments of PAYE to SARS. Measures are in place to avoid these charges in future.

Bargaining Council Costs: This relates to legal costs incurred due to labour disputes as well as backpay for employees that had been unfairly dismissed.

SAMRAS. The Municipalities paid out allowances to employees to attend the SAMRAS Games, however attendance was supposed to be financed by the interested employees and not the municipality.

The fruitless and wasteful will be recommended to Council for approval.

48. Irregular expenditure

Opening balance	54 371 642	44 911 818
Add: Irregular Expenditure - current year	30 794 212	9 459 824
	85 165 854	54 371 642

Analysis of expenditure awaiting condonation per age classification

Current year	30 794 212	9 459 824
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
46. Unauthorised expenditure (continued)		
Prior years	32 277 042	44 911 818
	63 071 254	54 371 642

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Notes to the Financial Statements

Figures in Rand	2013	2012
48. Irregular expenditure (continued)		
<u>Details of irregular expenditure – current year</u>		
	Disciplinary steps taken/criminal proceedings	
AJ PETERSEN -Entertainment expenses	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	10 800
AWIE & SEUNS TAXI DIENSTE - Transport services	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	8 520
CHERRY ON TOP - Catering	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	7 743
CHIEF REGISTRAR OF DEEDS - Deeds search	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	1 170
COEN FRAENKEL LANDMETERS - Subdivision of ERFs	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	35 766
DE AAR PRINTERS - Printing	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	13 674
DIP Security - security	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	8 528
FLEET STREET PUBLICATIONS - Stationery	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	1 257
GWK - Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	178 820
HERMAN VAN HEERDEN - Legal Costs	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	91 524
HOPETOWN APTEEK - Safety kits and Medications	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	5 447
HOPETOWN AUTO CENTRE - Repairs and Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	18 795
INDEPENDENT NEWSPAPERS - Advertising	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	19 213
JH SCHOENWINKEL - catering	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	2 653
JM COETZE - Repairs and Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	131 043
N12 HALFWAY /JN JANSEN - Fuel	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	54 477
JOHANNES LIEBENBERG - Repairs and Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	230 580
KALAHARI TOURS & TRAVEL - Accomodation	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.	7 300
KAROO BILTONG - Catering	No disciplinary measures have been taken. The	4 548

Thembelihle Local Municipality
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48. Irregular expenditure (continued)

transactions will be presented to Council for
condonement.

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand		2013	2012
48. Irregular expenditure (continued)			
KEVCOR - Repairs and Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		19 638
KLAAS SAAL - Transport	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		957
LEONARD NAUDE - Transport	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		1 276
LEXIS NEXIS - Stationery	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		5 733
MEDIA 24 - Advertising	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		147 068
MI BI SUPERETTE	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		5 695
MIKE LODGE	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		27 250
OK GROCER - Groceries	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		23 857
ORANJERUS GARAGE - Fuel	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		9 927
OVK - Fuel and Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		801 465
PAKNET - Couriers	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		4 526
RANDTIP 75 / ZENITH MINING - Service and Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		21 561
SEBATA - Server Installation	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		93 364
SILVER SOLUTIONS - Vehicle Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		124 432
THE NECTARINE - Catering	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		1 045
TREASURY / VENTERHERSTEL DIENSTE - Vehicle Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		29 041
UTILITY RUBBER STAMP - Stationery	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		1 210
VOLTEX KIMBERLEY - Repairs and Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		32 620
WALTONS - Stationery	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		99 488
WOODROW ENGINEERING - Repairs and	No disciplinary measures have been taken. The		35 802

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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48. Irregular expenditure (continued)

Maintenance

transactions will be presented to Council for
condonement.

Thembelihle Local Municipality
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Figures in Rand		2013	2012
48. Irregular expenditure (continued)			
ACCOMODATION - various Lodges	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		158 021
Catering	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		11 020
Data Verification	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		14 333
Training	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		38 899
SA Post Office - Envelopes	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		28 933
Fuel - Various Suppliers	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		8 871
Public Holiday Celebrations	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		950
Hire of Equipment	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		3 063
Internet Related Costs	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		25 361
Maitenance Cost	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		69 247
Mayoral Cup	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		10 367
Various Suppliers - Office Supplies	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		57 881
Refunds to Employees paid outside petty cash	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		23 079
Repairs and Maintenance	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		295 296
Valuations	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		66 748
AAS Operations - Chemicals	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		532 430
Durcharme Consulting - AFS preparation	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		562 877
C - Pac Pumps and Valves - Raw Water Abstruption	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		889 226
Alcedo Engineering - Main Intake Upgrading	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		96 294
Dihlase Consulting - Main Intake Upgrading	No disciplinary measures have been taken. The		443 539

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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48. Irregular expenditure (continued)

transactions will be presented to Council for
condonement.

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Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand		2013	2012
48. Irregular expenditure (continued)			
Eskom	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		109 726
HP Pelatona - Bulk Water System	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		10 343 446
PCI Africa - Water Purification	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		2 928 330
RAM Electrical - Highmasts	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		2 957 839
URSA Civils - Water Purification	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		6 434 767
Worley Parsons - Abrustruction Point	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		1 967 475
DeLange Lodge - Accomodation	No disciplinary measures have been taken. The transactions will be presented to Council for condonement.		12 880

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48. Irregular expenditure (continued)

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Notes to the Financial Statements

Figures in Rand	2013	2012
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48. Irregular expenditure (continued)

30 408 711

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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48. Irregular expenditure (continued)

49. Write-off of Service Charges by a Senior Official

In accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework, the municipality need not comply with the standard on The Effects Of Changes in Foreign Exchange Transactions, until such time as the measurement period in the transitional provision for any of the following Standards of GRAP have expire:

- Construction Contracts
- Inventories
- Investment Property
- Property Plant and Equipments
- Provisions, Contingent Liabilities and Contingent Assets
- Agriculture
- Intangible Assets
- Heritage assets

50. Additional disclosure in terms of Municipal Finance Management Act

Water Distribution Losses

Water Units available for sale (kl)	1 488 577	1 420 835
Water Units Sold (kl)	(621 040)	(733 640)
Units lost (kl)	867 537	687 195
Average cost per unit (R3,28 / R2.85)	3	3

Total Loss in Revenue	2 841 726	1 957 385
------------------------------	------------------	------------------

Distribution losses relates to unaccounted water. The foregoing costs, which represented 58% (2012: 48%) of the water purchases for the year, has been included in bulk purchases. The level of the distribution losses are not within the acceptable norms.

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity Distribution losses

Units bought (kwh)	10 112 419	8 493 695
Units sold (kwh)	(6 350 234)	(5 265 448)
Units lost	3 762 185	3 228 247
Average Rate (Rands) (2013-R1.2 / 2012 -R1,19)	1	1

Total Loss in Rand Value	4 514 622	3 841 613
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Distribution losses relates to unaccounted electricity. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoing costs, which represented 37.2% (2012: 38%) of the electricity purchases for the year, has been included in bulk purchases. Whilst this is not a desirable feature, the level of the distribution losses are well within the acceptable norms.

Audit fees

Opening balance	3 960 350	2 307 824
Current year fees	1 430 394	1 652 526

	5 390 744	3 960 350
--	------------------	------------------

PAYE and UIF

Opening balance	94 903	-
Current year deductions	1 713 679	1 313 021
Penalties	76 681	-
Amount paid	(1 885 263)	(1 218 118)

	-	94 903
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	-	1 317 538
Amount paid - current year	-	(1 317 538)

	-	-
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VAT

VAT receivable	802 386	915 338
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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2012

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Jonas D.A	10 724	58 706	69 430
Councillor Humphreys M.A	1 011	90 075	91 086
Councillor De Bruin E	489	199	688
Councillor Louw P	1 056	256	1 312
	13 280	149 236	162 516

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Madikane S.E	198	-	198
Councillor De Bruin E	1 055	-	1 055
Councillor Jonas D.A	26 480	77 419	103 899
Councillor Humphreys M.A	1 770	84 564	86 334
	29 503	161 983	191 486

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

	Highest outstanding amount	Aging (in days)
30 June 2013		
Councillor Humphreys M.A	90 075	90
Councillor Jonas D.A	58 706	90
	148 781	180

	Highest outstanding amount	Aging (in days)
30 June 2012		
Councillor Humphreys M.A	84 564	90
Mayor Jonas D.A	77 419	90
	161 983	180

51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	5 668 095	5 734 572
Used to finance property, plant and equipment	(21 214 086)	(22 356 725)
	(15 545 991)	(16 622 153)

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

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2013

2012

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Due to the municipality's cashflow challenges, no cash has been set aside to repay long-term liabilities.

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

52. Statement of comparative and actual information

2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	3 322 391	(3 762)	3 318 629	-		3 318 629	2 332 841		(985 788)	70%	70%
Service charges	18 262 954	(4 825 720)	13 437 234	-		13 437 234	15 056 590		1 619 356	112%	82%
Investment revenue	86 298	49 845	136 143	-		136 143	224 842		88 699	165%	261%
Transfers recognised - operational	61 777 069	(9 709 480)	52 067 589	-		52 067 589	47 629 136		(4 438 453)	91%	77%
Other own revenue	1 820 163	664 275	2 484 438	-		2 484 438	3 489 269		1 004 831	140%	192%
Total revenue (excluding capital transfers and contributions)	85 268 875	(13 824 842)	71 444 033	-		71 444 033	68 732 678		(2 711 355)	96%	81%

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

Employee costs	(15 780 098)	73 066	(15 707 032)	-	-	(15 707 032)	(15 169 434)	-	537 598	97%	96%
Remuneration of councillors	(1 778 877)	1	(1 778 876)	-	-	(1 778 876)	(1 808 989)	30 113	(30 113)	102%	102%
Debt impairment	(15 000 000)	7 500 000	(7 500 000)			(7 500 000)	(8 341 801)	841 801	(841 801)	111%	56%
Depreciation and asset impairment	(3 613 340)	-	(3 613 340)			(3 613 340)	(10 651 569)	7 438 971	(7 038 229)	295%	295%
Finance charges	(729 827)	341 350	(388 477)	-	-	(388 477)	(874 990)	237 006	(486 513)	225%	120%
Materials and bulk purchases	(9 329 370)	3 098	(9 326 272)	-	-	(9 326 272)	(8 981 801)	205 114	344 471	96%	96%
Transfers and grants	(5 129 971)	2 607 936	(2 522 035)	-	-	(2 522 035)	-	-	2 522 035	-	-
										%	%
Other expenditure	(70 496 142)	10 522 833	(59 973 309)	-	-	(59 973 309)	(13 332 539)	-	46 640 770	22%	19%
Total expenditure	(121 857 625)	21 048 284	(100 809 341)	-	-	(100 809 341)	(59 161 123)	8 753 005	41 648 218	59%	49%

Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

Total revenue (excluding capital transfers and contributions)	85 268 875	(13 824 842)	71 444 033	-	-	71 444 033	68 732 678	-	(2 711 355)	96%	81%
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Thembelihle Local Municipality
Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

52. Statement of comparative and actual information (continued)

Total expenditure	(121 857 625)	21 048 284	(100 809 341)	-	-	(100 809 341)	(59 161 123)	8 753 005	41 648 218	59%	49%
Surplus/(Deficit)	(36 588 750)	7 223 442	(29 365 308)	-	-	(29 365 308)	9 571 555	-	38 936 863	(33)%	(26)%
Surplus (Deficit) after capital transfers and contributions	(36 588 750)	7 223 442	(29 365 308)	-	-	(29 365 308)	9 571 555	-	38 936 863	(33)%	(26)%
Surplus/(Deficit) for the year	(36 588 750)	7 223 442	(29 365 308)	-		(29 365 308)	9 571 555		38 936 863	(33)%	(26)%

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
102338/1	2024/12/30	1 761 589	-	-	1 761 589	-	-
102338/2	2024/12/30	3 776 164	-	-	3 776 164	-	-
11932/101	2014/12/30	123 642	-	27 023	96 619	-	-
12864/101	2014/12/30	73 177	-	39 543	33 634	-	-

Development Bank of South Africa

5 734 572	-	66 566	5 668 006	-	-
5 734 572	-	66 566	5 668 006	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Appendix B

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated depreciation							
Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated depreciation							
Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Total property plant and equipment

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	335	-	309	-	-	-	644	(26)	309	-	-	-	283	927
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	335	-	309	-	-	-	644	(26)	309	-	-	-	283	927
Investment properties														
Investment property	-	-	4 773	-	-	-	4 773	-	4 773	-	-	-	4 773	9 546

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Total

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	335	-	309	-	-	644	(26)	309	-	-	-	283	927
Investment properties	-	-	4 773	-	-	4 773	-	4 773	-	-	-	4 773	9 546
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

335	-	5 082	-	-	-	5 417	(26)	5 082	-	-	-	5 056	10 473
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Appendix B

Analysis of property, plant and equipment as at 30 June 2010													
Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	310 062	16 426	-	-	-	-	326 488	(170 441)	-	-	-	-	(170 441)	156 047
Finance & Admin/Finance	848 065	533 998	(45 984)	-	-	-	1 336 079	(500 350)	27 888	-	(300 000)	-	(772 462)	563 617
Planning and Development/Economic Development/Plan	240 200 441	27 239	-	-	-	-	240 227 680	(130 780 362)	-	-	(6 616 899)	-	(137 397 261)	102 830 419
Comm. & Social/Libraries and archives	33 823 716	-	-	-	-	-	33 823 716	(1 927 146)	-	-	(270 585)	-	(2 197 731)	31 625 985
Road Transport/Roads	23 330	-	-	-	-	-	23 330	(11 515)	-	-	-	-	(11 515)	11 815
Water/Water Distribution	77 913 598	-	-	23 188 950	-	-	101 102 548	(42 336 207)	-	-	(3 108 410)	-	(45 444 617)	55 657 931
Electricity /Electricity Distribution	17 559 856	-	-	2 220 163	-	-	19 780 019	(9 556 880)	-	-	(498 176)	-	(10 055 056)	9 724 963
	370 679 068	577 663	(45 984)	25 409 113	-	-	396 619 860	(185 282 901)	27 888	-	(10 794 070)	-	(196 049 083)	200 570 777
Municipal Owned Entities Total														
Municipality	370 679 068	577 663	(45 984)	25 409 113	-	-	396 619 860	(185 282 901)	27 888	-	(10 794 070)	-	(196 049 083)	200 570 777
	370 679 068	577 663	(45 984)	25 409 113	-	-	396 619 860	(185 282 901)	27 888	-	(10 794 070)	-	(196 049 083)	200 570 777

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed or withheld					Reason	Did you report this?	Reason for non-reporting
			Jun															Yes/ No	
Equitable Share	National	6 748 000	4 225 000	3 657 000	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
FMG	National	1 500 000	-	-	-	-	365 472	141 659	135 225	857 645	-	-	-	-	-	-	-		
MIG	National	4 100 000	6 785 000	6 784 000	-	-	3 933 399	2 497 819	469 846	4 062 589	-	-	-	-	-	-	-		
MSIG	National	800 000	-	-	-	-	126 772	314 364	31 120	327 744	-	-	-	-	-	-	-		
INEP	Provincial	-	1 000 000	2 000 000	-	-	-	1 000 000	861 872	669 114	-	-	-	-	-	-	-		
Department of Water Affairs	National	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
EPWP	Provincial	400 000	300 000	300 000	-	-	-	159 735	272 896	437 815	-	-	-	-	-	-	-		
Library	Provincial	298 000	-	-	-	-	53 651	15 297	14 939	23 135	-	-	-	-	-	-	-		
RBI	National	2 308 268	6 873 878	6 941 250	-	-	1 845 279	6 201 061	7 570 204	-	-	-	-	-	-	-	-		
Other	Other	30 000	42 000	-	-	-	-	25 000	47 000	-	-	-	-	-	-	-	-		

16 184 268	19 225 878	19 682 250	-	-	6 324 573	10 354 935	9 403 102	6 378 042	-	-	-	-	-	-
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Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.